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The Nation's Capital GATEWAY

The Official Publication of the District of Columbia Department of Insurance & Securities Regulation

Fraud Bureau to Expand Role

In 1999, DISR elevated the Fraud Division to Bureau status in direct response to District citizens' concerns about the cost of fraud. Originally part of the Insurance Bureau, the Fraud Bureau has been charged with protecting the citizens activities in both the insurance and securities industries of the District of Columbia from the direct or indirect effects of suspected fraudulent insurance or securities acts.

The Bureau is empowered to perform investigations into fraudulent activities. If violations of the Insurance Fraud Prevention and Detection Amendment Act of 1998 are found, or any other statute violations, a referral for prosecution is packaged. To achieve its mission, the Bureau has set a series of ambitious goals for itself. First among these goals has been to expand, train and reorganize the Bureau staff. The Bureau, until recently, had only two field investigators on staff. With the reorganization comes the addition of two securities fraud investigators, and two more insurance investigators to the Bureau's upgraded Investigative and Compliance Division.

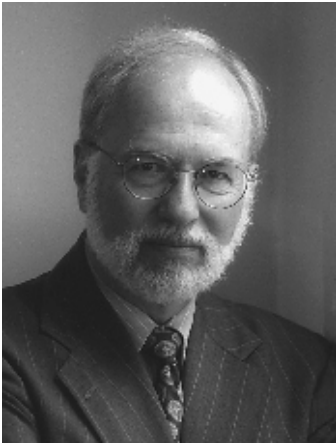
Another among the Bureau's goals is to forge relationships with state fraud bureaus, industry SIUs, anti-fraud coalitions, and law enforcement agencies. The Bureau is working on numerous projects with industry associations and organizations such as the NAIC and the Coalition Against Insurance Fraud (CAIF); enforcement organizations like the Federal Bureau of Investigation, DC Metropolitan Police Department (MPD) and Securities and Exchange Commission; and the fraud units in Maryland and Virginia.

One of the biggest problems the Bureau has is the lack of a dedicated criminal prosecutor. The US Attorney for the District is federally appointed and insurance fraud cases are seen as a low priority crime. The Bureau is working to change that perception. The Bureau will be increasing submissions of referrals for civil and criminal prosecution and getting those cases packaged for the US Attorney. In addition, the Bureau is working to get limited law enforcement status to improve its investigative abilities through access to the tools needed to conduct productive investigations.

The first step toward that goal is increasing both public and law enforcement awareness of

insurance and securities fraud as a crime in the District of Columbia. The Bureau is in the process of creating a public outreach campaign that will highlight insurance and securities fraud. The Bureau hopes to achieve this goal through forging alliances with the MPD and other government agencies. In the case of insurance fraud involving autos, the Bureau is seeking practical remedies to reduce the problem by presenting a series of initiatives to the MPD, Department of Motor Vehicles, and the Department of Consumer and Regulatory Affairs. The Fraud Bureau has begun a war against fraud in the District on behalf of its citizens and businesses. ■

Welcome to the first issue of the "Nation's Capital Gateway," a new quarterly publication of the District of Columbia Department of Insurance and Securities Regulation! "Gateway" will report on the ideas, initiatives and progress of DISR as we move toward our twin goals of being the best regulatory agency in the nation and a major international center for insurance and financial services. We chose the name "Gateway" because it captures the two separate aspects of our vision for the department. A gateway is an opening, a way through to a different place. It is also a point of control, where those in charge of the gate determine who is qualified to go forward. We intend to run a first rate gateway, where those financial services organizations that are able and willing to serve the public are welcomed in, and those intent on scamming, cheating and misleading the people are turned away. We are the "Nation's Capital Gateway" because we are part of the Government of the District of Columbia, the capital of the leading nation of the world, the United States of America. ■



Lawrence H. Mirel
Commissioner

***We will only
become a financial
services center if
we can
demonstrate that
we can regulate
financial services
businesses fairly,
efficiently and
quickly.***

From the Commissioner's Desk

Moving in the Right Direction

I have been in the post of Commissioner of Insurance and Securities for approximately a year and a half. During that time I have pursued an aggressive program designed to make our department second to none in the country.

Some of our objectives have already been achieved. Others are in the works. Still others remain dreams. On the whole it has been an exhilarating and productive experience. I have set two overall missions for the Department of Insurance and Securities Regulation:

- I. To provide fair, efficient and fast regulatory supervision of the insurance and securities businesses for the protection of the people of the District of Columbia.
- II. To create conditions that will attract and retain national and international insurance and other financial service businesses to the District of Columbia.

These two missions are interdependent: we will only become a financial services center if we can demonstrate that we can regulate financial services businesses fairly, efficiently and quickly.

First, to provide fair, efficient and fast regulatory supervision of the insurance and securities businesses, we undertook to:

1. *Develop a comprehensive electronic document tracking and retrieval system.* This system, which will be up and running by January 2000, will reduce the DISR paper flow, allow us to better manage staff and resources, allow electronic response to

reports and complaints, and increase the efficiency and performance of the agency.

2. *Establish an interactive web site.* Our web site,

www.disr.washingtondc.gov, went on line June 22 of this year. This site provides on-line access to all forms and instructions for electronic filing and access to consumers to information on D.C. insurance laws and regulations. DISR was one of the first D.C. agencies to become part of the city's web address and has become a model for other agencies.

3. *Recruit and retain competent personnel, especially in areas of financial analysis and investigation.* Thanks to an aggressive recruiting campaign, and approval by the Council of authority to offer higher salaries for certain hard-to-fill jobs, all key positions have now been filled. Through a combination to promoting capable people from within the agency and seeking the best and most experienced people from outside, DISR now has one of the most capable staffs of any regulatory agency anywhere.

4. *Develop an extensive DISR consumer education program.* A new three-person Office of Public Affairs was created and charged with responsibility for public education. Our goal is to better inform the public of the choices they have and how to shop for the best insurance and securities products.

Second, to create conditions that will attract and retain

national and international insurance and other financial service businesses to the District of Columbia DISR has undertaken the following efforts:

1. *Develop and move a legislative agenda that will modernize the District's insurance and securities laws and regulations.* (See Legislative Update on page 8).

Considered together, these legislative initiatives will transform the District's insurance laws, providing greater flexibility to insurers, more choices for consumers, and substantial incentives for both national and international insurers to locate their operations in the District of Columbia.

2. *Promote the District of Columbia as a financial center.* Since the beginning of 2000 DISR has engaged in a wide range of promotional activities to alert the insurance industry to the advantages of doing business in the District of Columbia, and international insurers to locating operations in the District of Columbia.

This newsletter is just one of the many promotional tools that we are developing. Our message is "Take a Fresh Look" at the District of the Columbia Department of Insurance and Securities Regulation. We've done a lot this year, but we have much more to accomplish. ■

IARD Pilot Securities Sets Program Begins Agenda for 2000

The Investment Adviser Registration Depository (IARD) is an electronic filing system for Investment Advisers sponsored by the Securities and Exchange Commission (SEC) and North American Securities Administrators Association (NASAA) acting on behalf of the regulators. NASD Regulation, Inc., operator and developer of the system, is piloting the IARD system with approximately 125 volunteer Investment Adviser firms during October and November 2000. All Pilot activities will occur in the "live" system involving real data. The filings made by Pilot firms are official filings and will be deemed as having been submitted to the SEC and states. The states and the District are critical participants in the Pilot Program, because they currently register all Investment Adviser firms, both "notice filers" that are registered with the SEC and registration filers that register with each of the states and the District. The learning curve among regulatory and industry users will be short because IARD mirrors the current system for registering Broker Dealers, WebCRD. The IARD will endeavor to: 1) establish an electronic registration filing and processing system coordinated nationwide for the industry and regulatory agencies; 2) establish and maintain a public disclosure system; and 3) support regulatory oversight of investment advisers. In the future, the IARD will provide for the registration of investment advisor representativess. Currently, IARD is composed of four critical components: IA Firm Registration, IA Firm Public Disclosure, IAR Registration, which is registration of individual investment advisers, and IAR Public Disclosure. The Firm Registration component will be

The mission of the Securities Bureau is to provide a fair and honest environment for investment by District of Columbia residents. To realize that mission, the Bureau has two primary functions --to regulate the securities industry under the laws of the District of Columbia and to provide District-based investors with accurate, complete and current information and education. The regulatory functions presently consists of licensing and compliance activities with regard to securities broker-dealers and investment advisers and agents of issuers of securities. The City Council of the District of Columbia has just expanded that function by enacting the D.C. Securities Act of 2000, which adds regulation of securities issuances to the authority of the Bureau. That authority became effective June 1, 2000, after the Act has been submitted to Congress for review as provided in the District's Home Rule Charter. It will provide additional protection for investors by

requiring registration of securities offerings that are not being regulated by the Securities and Exchange Commission.

Plans for the current fiscal year include: streamlining the registration process for broker-dealers and investment advisers; establishing an on-site examination program for existing licensees; implementing the new securities issuance registration provisions; establishing a full service complaint and inquiry response system; and providing financial literacy teacher training to teachers in the public high schools of the District of Columbia.

The staff of the Securities Bureau is enthusiastic about the prospects for the coming year. The Bureau is looking forward to hearing from and working with members of the public and representatives of the regulated industry groups to develop an even healthier investment climate in the District of Columbia. ■

first released into production on January 1, 2001. This will allow Investment Adviser firms to file forms electronically with the SEC, states, and the District. This release will also provide the ability to view the information contained on the filings, collect and disburse fees associated with these filings, request reports, and allow firms that are both broker/dealers and Investment Advisers to share filing information between Web CRD and IARD. The goal of the system is to provide regulators, as well as the investing public, with more efficient access to and better disclosure of information. ■

Securities Deadlines

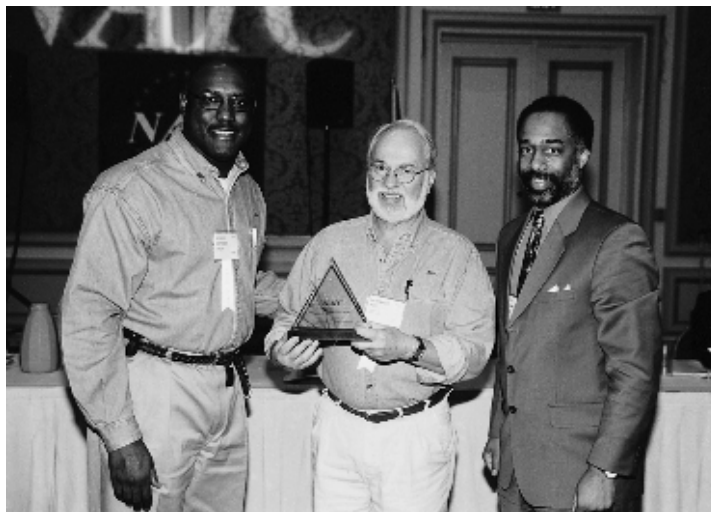
November 1

Submission of all post-dated termination forms for representatives.

December 15

Submission of payment of renewal fees for the Year 2001 for all Federal/State covered advisers and investment adviser representatives.

*The staff of
the
Securities
Bureau is
enthusiastic
about the
prospects
for the
coming
year.*



Pictured l.-to-r. NAIC Pres./KY Insurance Commissioner George Nichols III, DISR Commissioner Lawrence H. Mirel, and John Wallace, DISR Director of Systems and Technology

DISR received the State Regulator 2000 (SR 2000) Award from the National Association of Insurance Commissioners (NAIC) in September. SR 2000 is a series of aggressive initiatives developed and supported by state regulators to streamline, strengthen and enhance state regulation. DISR successfully implemented all 11 technology based initiatives and is one of only 13 states to have completed the process.

GLB/CARFRA: What it Means for DC

GLBBA repeals an old federal law that prevented banks and insurance companies from getting into each other's businesses. Now banks can own insurance companies and sell insurance from their bank branches, and insurance companies can own banks and provide all the services a bank can provide. It may become possible for consumers to consolidate their financial transactions in one institution--for example, by purchasing their insurance at their bank, or opening a bank account with their insurance company. **The Gateway** recently sat down with Commissioner Mirel to get his take on GLB Act, and what this and recent developments at the NAIC mean to the District.

How will the implementation of GLBA affect agents, brokers, and companies licensed in the District of Columbia?

Banks may hire insurance agents and brokers to service their insurance customers. Insurance companies licensed in DC may be offering banking services to their customers.

What impact will the implementation of GLBA have on DISR's operations and regulatory responsibilities?

GLBA requires DISR to be aware of the regulatory responsibilities of other agencies that may have concurrent or related oversight of institutions regulated by DISR. For example, DISR may have to go into banks that are regulated by the Federal Office

of the Controller of the Currency or Office of Thrift Supervision to investigate their insurance activities. The banking supervisors, in turn, may need to review the activities of banks owned by insurance companies licensed by DISR.

What factors, if any, might hinder the effectiveness of GLBA in the D.C. insurance and securities market?

There will be a period of learning during which the banking regulators, most of whom are federal officials, and the insurance regulators, who are state and District of Columbia officials, get to understand each other's responsibilities and techniques. No one knows yet whether banks and

insurance companies will merge or purchase each other's businesses, and if so how widespread the practice will become. With the breakdown of the traditional barriers between banks and insurance companies will new financial instruments come into the market, instruments that no regulators have seen before? If so, who will regulate them and under what authority? Sorting out these kinds of questions will take time.

What is your view of the NAIC initiative, "speed to market" and how will it change operations at DISR? I am a strong supporter of the NAIC's "speed to market" efforts and a member of the "Speed to Market Working Group." There is no reason

Financial Literacy 2001

This year, the Securities Bureau will continue its participation in the Financial Literacy program, sponsored by the Investor Protection Trust (IPT), North American Securities Administrators Association (NASAA), and the National Association of Securities Dealers (NASD). The program, named FL2001, consists of workshops that present a financial literacy curriculum to high school teachers of social studies, consumer and home economics, business education, personal finance and mathematics. The Securities Bureau has set a goal to make the workshops available to every District High School teacher of the above named subjects. For more information about the program, contact the Securities Bureau, FL2001Program at 202-442-7855. ■

Continuing Education Requirements

On May 19, 2000 D.C.'s Continuing Education and Pre-licensing Rule went into effect. Agents and brokers who are licensed in the District must meet D.C.'s continuing education (CE) requirements by December 31, 2000 in order to renew their license for this two-year period.

For this biennium ending December 31, 2000, agents and brokers will be required to meet only half of the regular continuing education requirements. Agents and brokers licensed for Property and Casualty or Life and Health products must have eight credit hours of approved continuing education. If an agent or broker sells both lines, then the requirement is twelve hours. If an agent or broker has met continuing education requirements in another jurisdiction this will be sufficient for the D.C. requirements for this period. Therefore, agents and brokers in the surrounding jurisdictions of Maryland and

Virginia would need to submit a letter of good standing from their home-state in order to comply with the D.C. requirements. The D.C. law does not impose any additional requirements on non-resident agents and brokers. The rule applies to resident agents and brokers that previously have not had a District continuing education or pre-licensing requirement. Non-resident licensees must comply with their state of residency requirements, which will be sufficient for the District. Failure to comply with the continuing education requirements will result in non-renewal of the agent or broker license, and termination of qualifications to act as an insurance agent or broker in the District of Columbia.

For more information, including a list of approved courses, credit hours, fees, exemptions, and how to file CE credits visit www.disr.washingtondc.gov. ■

why an insurer seeking to market a new product on a national basis should be required to obtain the approval of 51 separate insurance departments. The Working Group has put forward a proposal, known as CARFRA, (Coordinated Advertising, Rate and Form Review Authority) that will set up a series of review panels made up of experts from several different state insurance departments to review new products. When a new product has been approved by a CARFRA panel, the idea is for state insurance departments to allow it to be sold in their

states without further review. I think this is a significant first step but does not go far enough. Eventually each state insurance department must be willing to accept the determinations of its sister regulators that products approved for domestic sale in their states can be sold anywhere, subject to any local laws or regulations. Even better, it should be possible to do away with prior approval of rates and forms altogether. That would allow new products to go to market right away. States would still retain the authority to review products at any time and fine or ban companies that do not

obey state laws and regulations, but there would be no hold up at the front end. A number of states have done away with prior approval of forms and rates. There is no prior approval requirement in Britain or any European Union state. I think the NAIC will eventually get to this position but it will take some time. In the meantime I think CARFRA is an improvement over the current system.

When does DISR expect to voluntarily begin the national treatment process?

We will make use of it as soon

See **GLB**, Page 11

International Efforts

The District of Columbia Department of Insurance and Securities Regulation has had the opportunity to host a number of international insurance regulators who have come to the United States to learn how insurance is regulated in this country. The D.C. Department is in a unique position of being located in the nation's capital and is close to foreign embassies. The Department is pleased to have shared regulatory insights with insurance regulators from the People's Republic of China, Poland, Peru, Taiwan and Egypt. The office has also assisted in reviewing the proposed Vietnamese regulatory framework. In discussions with various regulators in other countries we have found that we share similar challenges. For instance, Egypt is going through a restructuring of its insurance

market and is working to develop an appropriate scheme for rate and form approval. This is similar to the efforts being made by the NAIC to streamline procedures and improve speed to market.

Commissioner Mirel has also reestablished the International Insurance Advisory Committee. This committee will assist the Department in our effort to respond to the global demands of the insurance and financial services industry. As the business of insurance increasingly becomes global, we need to share our values and approaches with regulators around the world. Consumers and insurers alike are best protected when the rules governing insurance transactions are comparable and consistent everywhere. ■

Market Trends

Each issue of **The Gateway** will highlight current insurance market trends in the District of Columbia.

The Insurance Products Bureau (IPB) has noticed a trend of rate and rule filings for extended warranty contracts by more companies that want to sell this product in the District of Columbia. Although an extended warranty is not an insurance product, if an insurance company underwrites it, it must be equally regulated. The IPB reports that it's more difficult to regulate companies selling extended warranty contracts because, unlike insurance products, there are no statistical codings and databases to obtain a large volume of information to establish a warranty price. The bureau is charged with making certain that rates are adequate, not excessive, and not unfairly discriminatory.

The National Council on Compensation Insurance's (NCCI) website now includes information about all District of Columbia assigned risk policies. This web site benefits, agents/brokers and policyholders alike. Agents/brokers now have the ability to transfer policies from the involuntary market to the voluntary market, resulting in lower premiums to policyholders and increased business opportunities for agents/brokers. ■

Need a Speaker on an Insurance Topic?

The Insurance Information Center, developed by the DISR and cosponsored by the DC Life Underwriters Foundation & DC Association of Insurance and Financial Advisors, Metro Washington Association of Independent Insurance Agents, and Professional Insurance Agents Association of VA and DC, Inc. will provide knowledgeable speakers on a variety of insurance topics including: Auto, life and health insurance, Workers Comp, Disability Coverage, Agent Licensing and Estate Planning.

This is a FREE service.

**To request a speaker or for more information
Contact the Insurance Information Center at
202-442-7774,
speaker-disr@dcgov.org, or
visit www.disr.washingtondc.gov**

Partnership Council Honored



The DISR Labor-Management Partnership Council was selected for the first annual DC Labor Management Partnership Council (DCLMPC) Award. Mayor Anthony Williams and Joslyn Williams, Metropolitan Council of Washington, AFL-CIO, co-chaired the DCLMPC and presented the award. The DISR LMPC is a ten-person body comprised of five managers and five AFCSME-Local 2743 union employees. The Council's primary goal is to make DISR an ideal work environment.

Pictured l.-to-r. D.C. Mayor Anthony A. Williams, DISR General Counsel Rhonda Davis and Laszlo Pentek, Actuary. Davis and Pentek are co-chairs of the DISR Committee

Commercial Dereg Bill: Potential Biz Boost

In recent years, there has been a national movement toward deregulation of policy forms and rates in the area of commercial risks because the sellers and purchasers of commercial insurance policies tend to be sophisticated parties with the resources to adequately protect their interests without the intervention of insurance regulators. In the past two years, 19 states across the country, including Maryland and Virginia, have instituted some form of commercial lines rate and form filing deregulation. The District's proposed Bill 13-806 will permit the use of commercial insurance policy forms and rates for business and non-profit organizations without prior approval of the Department of Insurance and Securities Regulation.

D.C. Mayor Anthony A. Williams introduced a commercial insurance deregulation bill last spring.

Mayor Williams' bill deliberately established a low threshold for qualifying for the exemption from prior approval--so that D.C. businesses would have the maximum ability to work out their insurance needs directly with insurers, without the intervention of DISR. The Council, by amendment in July, sharply increased the threshold raising the minimum premium threshold to \$250,000 a year--to the point that few, if any, D.C. businesses would qualify. Bill 13-806, now before the Council, is designed to reduce the thresholds to more nearly approximate those set in the Mayor's original bill. Thresholds vary widely among the states. For instance, Arizona and Minnesota do not require prior approval at all for the use of commercial insurance rates or forms, so their thresholds are zero. Illinois and Arkansas do the same with regard to rates. Michigan, Indiana and Hawaii do not

require prior approval for the use of commercial policy forms. Oklahoma has a \$10,000 premium threshold for rates, and New Jersey has a \$10,000 premium threshold for both rates and forms. Other states have higher premium thresholds. In Maryland it is \$75,000. In Virginia, \$100,000.

On October 10th, the D.C. Council Committee on Consumer and Regulatory Affairs amended 13-806 to provide a \$10,000 threshold for annual premiums. The Bill now moves to the full council for consideration in November. ■

Bill 13-806

will permit the

use of

commercial

insurance

policy forms

and rates for

business and

non-profits

without prior

DISR approval

DISR Legislative Initiatives

The District of Columbia is a great place to do business, especially insurance and securities. In addition to the laws already in place in the District, a progressive legislative package approved by the Council of the District of Columbia in the 2000 session demonstrates the city's commitment to the growth of insurance and other financial service industries in the nation's capital. In this article are brief descriptions of each of the bills and their status in the legislative process. Once a bill is passed by the Council, signed by the Mayor, and approved by the Financial Control Board, it is transmitted to Congress for a 30-day review period. Due to the short congressional session for 2000, most of the measures enacted this summer will probably not become law until March 2001.

Bill 13-707, (Act 13-420)

Captive Insurance Company Act of 2000: Provides standards for corporations and associations to set up their own wholly owned insurance operations to service their own people. The District of Columbia is a natural location for these companies; especially association "captives" since the District is home to thousands of national and international associations. Council hearing conducted on 6/7/00. CRA* Markup* 6/21/00 - Approved. Full Council Legislative Session* 7/11/00 Approved. Signed by the Mayor, sent to Congress for 30-day review period.

Bill 13-678, District of Columbia Securities Act of 2000: Provides for the regulation of small securities offerings that are not subject to review by the Securities and Exchange Commission (SEC), and to participate jointly with the SEC in the regulation of larger offerings. Every jurisdiction, except the District, has a "blue sky" law. Enactment of this law will produce estimated additional revenue to the District of \$5 to \$7 million a year in fees. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved. Signed by the Mayor, approved by Financial Control Board 9/5/00.

Bill 13-246, (D.C. Law 13-121) Long Term Care Insurance Act of 2000: Provides for the availability of long-term care insurance policies, to protect applicants for long-term care insurance, as defined, from unfair or deceptive sales or enrollment practices, to establish

standards for long-term care insurance policies, and to facilitate flexibility and innovation in the development of long-term care insurance coverage. Hearing held on Oct. 15, 1999. Markup conducted on 12/8/99, Bill and Committee Report passed. Final reading 2/1/00. Bill 13-246 became law on 5/23/00.

Bill 13-593, Unfair Trade Practices Act of 1999: Provides for regulation of certain predatory practices by insurers, such as misrepresentations and false advertising, unfair discrimination and unfair claims practices. The District is the only jurisdiction that does not have an Unfair Trade Practice law. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved with amendment creating private cause of action, Vetoed by the Mayor. Amended by council to remove private cause of action. Scheduled for Council action in November.

Bill 13-594, Public Adjuster Licensure Act of 1999: Provides for the licensure of individuals doing business in the District as public insurance adjusters in order to protect consumers against fraud and unfair business practices. Council hearing conducted on 6/7/00. Still pending at CRA.

Bill 13-656, Insurance Compliance Self-Evaluation Privilege Act: Provides for encouragement to insurance companies and persons to conduct voluntary internal audits of their compliance programs and management

systems to assess and improve compliance with District and federal statutes, rules, and orders. An insurance compliance self-evaluative privilege is recognized to protect the confidentiality of communications relating to voluntary internal compliance audits. Introduced to Council 4/7/00. Still pending at CRA.

Bill 13-677, (Act 13-405) Surplus Note Amendment Act of 2000: Provides for the utilization of surplus notes as reserves for mutual and stock companies. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved. Signed by the Mayor, approved by Financial Control Board 8/16/00, transmitted to Congress on 9/7/00 for 30-day review.

Bill 13-723, (Act 13-422) United States Branch Domestication Act of 2000: Provides a port of entry for alien (i.e., non-U.S.) insurers as the District of Columbia domestics. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved. Signed by the Mayor, approved by Financial Control Board 8/16/00, transmitted to Congress on 9/7/00 for 30-day review.

Bill 13-532,533,534, (Act 13-389) Drug Abuse, Alcohol Abuse and Mental Illness Insurance Coverage: Provides for certain amendments to the act in order to prevent federal preemption of the District in regulating the large group market with reference to mental health benefits. Bill 13-534 (permanent version) is before the Committee on Consumer & Regulatory Affairs. Markup

Legislative Initiatives, cont'd.

conducted 5/31/00 - reported out - amendment in nature of substitute. Tabled to 7/11/00 for final reading. Transmitted to Congress on 9/7/00 for 30-day review.

Bill 13-592, Women's Health and Cancer Rights Federal Conformity Act of 1999: Provides women the right to receive health plan benefits pertaining to a mastectomy and breast reconstruction in connection with such surgery when a health plan provides medical and surgical benefits with respect to a mastectomy. Still pending at CRA.

Bill 13-676, Health Maintenance Organization Amendment Act of 2000: Provides for license and renewal provisions for HMOs. The legislation seeks to make changes in the law to enhance efficiency of form filing and provides for certain fines and penalties. Still pending at CRA.

Bill 13-595, (Act 13-401) Reinsurance Credit and Recovery Amendment Act of 2000: Corrects an uncertainty in current law that could require a reinsurer to pay a claim twice when the primary insurer is in receivership. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved. Signed by the Mayor, approved by Financial Control Board 8/16/00, transmitted to Congress 9/7/00 for 30-day review. Projected law date 10/23/00.

Bill 13-710, Insurance Demutualization Amendment Act of 2000: Provides for amendments to existing law based on collective experience with demutualizations since 1996. The changes would reduce the vote needed to effect a conversion from the current 2/3 of the board of directors to a simple majority, and would reduce the amount of time for calling a meeting of shareholders to ratify the conversion. Also proposed are provisions that give the Commissioner the right to review and approve, or reject, a conversion plan, and makes the ruling by the Commissioner subject to court review. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 6/26/00 -

Approved. Second reading 7/11/00. Final reading 10/3/00.

Bill 13 - 655, (Act 13-404) Insurance Agents and Brokers Licensing Amendment Emergency Act of 2000:

Provides for changes to current law based on Congressional enactment of the Gramm-Leach-Bliley (GLB) law. This bill is designed to facilitate agent licensing reciprocity. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00- Approved. Signed by the Mayor, approved by Financial Control Board 8/16/00, transmitted to Congress on 9/7/00 for 30-day review.

Bill 13 - 706, (Act 13-419- Permanent Legislation)) Insurer Confidentiality and Information Sharing Amendment Act of 2000: Provides for changes to current law based on GLB, which allows the integration of insurance, banking and securities. The bill gives the District of Columbia the authority to share information with federal agencies and other state regulators. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved. Signed by the Mayor, approved by the Financial Control Board 8/16/00, transmitted to Congress 9/7/00 for 30-day review.

Bill 13 - 724, (Act 13-408) Insurance Economic Development Amendment Act of 2000: Provides for the deregulation of commercial insurance policies for business and non-profit organizations. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved with amendments. Signed by Mayor.

Bill 13 - 722, District of Columbia Insurer and Health Maintenance Organization Self-Certification Act of 2000: Provides for an alternative way for a company to become licensed to sell insurance in the

District of Columbia, a way that provides all the protections of the law for consumers while allowing companies to enter the market much more quickly. The bill would allow an applicant to submit to the Commissioner a statement, signed under oath by an independent organization acceptable to the Commissioner, that the applicant meets all of the requirements of D.C. law for offering the kinds of insurance products for which it seeks a license, and that statement will be accepted as prima facie evidence that the applicant is qualified. Council hearing conducted on 6/7/00. CRA Markup 6/21/00 - Approved. Full Council Legislative Session 7/11/00 Approved. Signed by the Mayor, approved by Financial Control Board 8/16/00, transmitted to Congress on 9/7/00 for 30-day review.

Bill 13-806, Insurance Trade and Economic Development Amendment Act of 2000: Amendments to correct Council action taken on 7/11/00. Bill amends the Unfair Insurance Trade Practices Act of 2000 to clarify that Bill 13-806 only permits an administrative remedy and does not create or imply a new private cause of action. Bill also clarifies the criteria that constitute an exempt commercial risk under the law to deregulate commercial insurance policies. Council hearing conducted on 9/26/00. CRA Markup 10/10/00. (This amends Bill 13-724).

Bill 13-842, Insurer Confidentiality and Information Sharing Emergency Act of 2000: Emergency measure to permit the commissioner of the DISR to promulgate rules, regulations, and orders as are necessary and proper to conform to Title V of the Gramm-Leach-Bliley Financial Modernization Act of 1999. Full Council Legislative Session 10/3/00 Approved. Signed by Mayor.

Bill 13-711, Health Organizations RBC Amendment Act of 2000: The Bill would create a regulatory framework to

establish the minimum amount of capital appropriate for a health organization to support its overall business operations in consideration of size, structure, and risk profile. The Bill also amends the Insurance Fraud Prevention and Detection Amendment Act of 1998, the Prohibition of Discrimination in the Provision of Insurance Act of 1986, The District of Columbia Cancer Prevention Act of 1990, and the Drug Abuse, Alcohol Abuse, and Mental Illness Insurance Coverage Act of 1986. Still pending at CRA.

*Committee on Consumer and Regulatory Affairs

*Markup is the process when amendments are considered to a bill.

*Since the District is a unicameral process, bills must be approved by the full council on two separate readings.

Important Information

The \$40.00 continuing education filing fee **is not due at this time**, but will be collected in Spring 2001 along with the license renewal fee and application for this biennium ending April 30, 2001.

Enforcement Actions

Liquidations

DISR v. American Preferred Provider Plan for the Mid-Atlantic, Inc., SO# HMO-00-01 (August 2000). HMO with a 3,200 member enrollment concedes in Consent Order that it failed to meet the District's minimum net worth standards. In September, a D.C. Superior Court judge issued an Order naming the Commissioner as liquidator of the HMO.

Capital Casualty Insurance Company in Liquidation, Inc., Superior Court of the District of Columbia, No. CA-98-6294. Capital Casualty was placed in liquidation on November 27, 1998 for failing to meet minimum capital and surplus requirements. The liquidation process is ongoing.

Policyholder Benefits Corporation, Inc., Superior Court of the District of Columbia, No. CA-99-Misc. 399. PBC was placed in voluntary liquidation on September 22, 1999 because it fulfilled its purpose of providing interim replacement mortgage guaranty insurance. The liquidation is ongoing.

Atlantic & Pacific International Assurance Company in Liquidation, Inc., Superior Court of the District of Columbia, No. CA-93-6792. APIA was placed in liquidation in June 1993 for failing to meet minimum capital and surplus requirements. The liquidation process is ongoing.

D.C. Hebrew Beneficial Association, Pending voluntary liquidation.

Producer Licensing Matters

DISR v. Reginald Minus, SC#SO-00-02 (October 2000). Agent's licenses suspended and ordered to pay \$24,769.13 for failure to remit premium taxes from surplus lines business.

DISR v. Jeffrey Robinson, SC#SO-00-01 (May 2000). Agent's life and health license revoked based on conviction of a felony involving moral turpitude.

DISR v. Keith Beard, SC#AB-99-02 (May 2000). Agent's life and health license revoked based on revocation in another jurisdiction.

DISR v. Harris J. Belinkie, Inc., SB#00-01 (April 2000). Investment Adviser was fined \$1,050.00 for unlicensed activity from January through April of 2000.

Company Action

DISR v. GEICO, DCID #960927 (September 2000). Consumer complaint regarding the denial of personal injury protection benefits was closed upon notification that the parties reached a settlement in a matter subsequently filed by GEICO before the D.C. Superior Court.

DISR v. American General Life and Accident Insurance Company, DC-00-06-02 (June 2000). Via Regulatory Settlement Agreement and Order, insurer consented to pay \$96,000.00 for racially discriminatory practices in the sales of industrial and low value policies.

DISR v. First Washington Insurance Company, 00-06-01 (June 2000). Via Consent Agreement and Order, insurer

consented to a \$7,500.00 civil penalty resulting from violations revealed during a financial examination.

DISR v. AON Risk Services of Washington, D.C., Inc., DC-004-MCE-98 (June 2000). Via Consent Agreement and Order, insurer agreed to pay \$3,000.00 resulting from a market conduct examination finding that the company failed to file monthly affidavits in a timely fashion as statutorily mandated.

DISR v. Reliance Insurance Company, DCID #990430 (May 2000).

Department successfully mediated a \$7,500.00 settlement between Fabrikant Design and the insurer who failed to pay a patent infringement claim.

DISR v. Equitable Liability Insurance Company, SC#SO-00-01. Insurer was fined \$10,000.00 for failure to maintain minimum capital and surplus requirements.

Group Hospitalization and Medical Services, Inc., DC-00-06-03 (August 2000). Consent Agreement and Order enter into based on non-compliance issues disclosed in market conduct examination. Company paid administrative settlement of \$10,000.00.

Hearing Matter Pending

In re Equitable Liability Insurance Company, HC-00-01. Anacostia Holding Company of Maryland, Inc. filed a Form A filing requesting approval to acquire Equitable Liability Insurance Company. A hearing on the proposed acquisition was held on September 26, 2000. Decision and Order pending.

Uninsured Motorist Fund Matters

The Uninsured Motorist Fund (UMF) was established in the District for the purpose of awarding compensation to pedestrians or passengers of an automobile involved in an accident who sustains injury therefrom and would not otherwise be compensated for his or her loss.

UMF Appeal regarding B.B., UMF-2-009 (09/00). Application for benefits was denied based on claimant having other insurance coverage.

UMF Denial regarding B.B., UMF-96-147 (09/00).

Benefits were denied because applicant was covered by disability compensation.

UMF Denial regarding L.B., UMF-95-001 (09/00).

Application was denied since client was receiving welfare benefits.

UMF Denial regarding G.S., UMF-96-036 (09/00). This case was closed due to applicant's failure to substantiate claim.

UMF Appeal regarding G.S., UMF-98-010 (09/00). The applicant was awarded \$2,706.40.

UMF Denial regarding D.W., UMF-2-002 (04/00). Application denied because claimant was covered by health insurance at the time of the accident.

UMF Denial regarding R.S., UMF-2-004 (04/00). Applicant failed to make a timely filing.

UMF Denial regarding E.B., UMF-99-034 (04/00). Application denied based on information that funeral benefits had been paid by another source.

UMF Denial regarding D. J., UMF-97-048 (04/00). Case closed due to applicant's failure to substantiate claim.

UMF Denial regarding A.T., UMF-96-055 (02/00). Application denied based on information that another insurance source had been located.

UMF Denial regarding E.P., UMF-94-103(02/00). Application for benefits denied because insured was also covered by Medicaid insurance.

UMF Denial regarding J.H., UMF-92-007 (02/00). Application for benefits denied based on applicable statute of limitations.

GLB, cont'd from page 5

as it has been approved by the NAIC. In addition, DISR will seek the approval of our Mayor and the Council for doing away with prior approval of rates and forms in the District of Columbia.

What are DISR's immediate plans in preparation for (implementing) GLBA?

The major provisions of GLBA that we need to implement right away are the requirements for protecting the privacy of financial information. The GLBA requires the Federal Government to issue regulations protecting the privacy of personally identifiable financial information held by financial institutions regulated by the Federal Government—mostly banks—and gave the states until November 13, 2000, to adopt similar regulations protecting the privacy of financial information held by insurance companies. The Federal Government issued privacy regulations last spring, but delayed the enforcement date until July 1, 2001. DISR has prepared privacy regulations, modeled on the federal regulations, for insurers licensed here and will issue them as soon as the emergency authorization enacted by the Council on October 3 becomes effective. We expect that will be prior to November 13. Like the federal

regulations, our regulations will delay the enforcement date until July 1, 2001.

As Commissioner, what are your aspirations for GLBA? What do you hope GLBA will accomplish in the D.C. market?

The division between insurance and banking was always somewhat artificial. At the time that division was enacted into law by Congress, in the 1930's, insurance—and banking too—was primarily local in nature. Today the market for financial instruments is not only national but global, and the ability of financial institutions to market insurance-type and banking -type products interchangeably is an important part of the world financial services business. We have ambitions to have the District of Columbia become an international financial services center—a logical role for the capital city of the United States. We need to be at the forefront of thinking about modern regulation. Regulation must protect the public but it must also allow the competitive marketplace to work. Those goals are not inconsistent. We can do both in the District of Columbia. ■

Contact DISR

DISR staff is here to serve you from 8:00 a.m.-5:00 p.m. M-F

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Licensing/Registration (Insurance)

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Licensing/Registration (Securities)

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Public Information Office

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Scam Alert

Securities industry members and investors are well served when dishonest practices in the industry are exposed. This column features two examples of misconduct in the securities industry. The sales pitches in these scams often guarantee a handsome, quick return, so that the victims will want to entrust their funds to the salesperson. If anyone approaches you with a proposal that resembles one of these, do not put your money into it without checking it out. Call the Fraud Bureau, (202) 442-7752 to report any suspicious activity of this sort or call the Securities Bureau, (202) 442-7854, for general information about broker-dealer or investment adviser firms or their representatives. If you have a question about the

provision of investment advice or the handling of an account by a registered firm.

Online fraud

The SEC recently announced that it has brought 11 court actions and four administrative proceedings against the perpetrators of so-called "pump and dump" schemes in which promoters push up a stock's price by making false claims about the company, then later sell their shares to cash in on the artificially high price. These schemes "pumped up" the value of some 70 stocks by \$1.7 billion. *The moral of the story:* Be skeptical about online reports about a company that would materially affect the value of the company's stock. Check the stories out before you take market action.

Brokered CD's and 20-year CD's

Brokers are finding better rates for certificates of deposit. These brokered CD's may have provisions allowing the depository banks to "call" the CD's -- buying out the depositors and ending the favorable rate. The customer may take a loss that is not protected by the FDIC. Brokers are also selling long-term CD's -- with up to a 20 year term -- sold to older persons, who may not survive until the CD's mature.

Those CD's may be withdrawn early only if the depositor pays a penalty. *The moral of the story:* Make sure you understand the rights you have to get out of any investment, and any rights others may have to get you out on terms that are unfavorable to you. ■

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